

Let's Get Washington Covered Task Force
Options Relating to Economy Plans
Task Force Meeting, November 19, 2003

Introduction

An economy plan is a solution for providing affordable coverage to the uninsured. The Task Force can better discuss replacing the Basic Health Look-alike Plan with a high-deductible, no or limited mandates economy plan once more research is performed and discussed. This paper reviews aspects of whether economy plans can cover the uninsured.

Can Economy Plans Reduce Premiums?

Research demonstrates that economy plans can reduce premiums:

Lee and Tollen, Health Affairs 2002, demonstrate in *How Low Can you Go? The Impact of Reduced Benefits And Increased Cost Sharing* that premiums are reduced by 13.9% by paring down four benefit categories from a comprehensive, low cost-sharing benefits package. When the same four benefit categories are excluded, premiums can be reduced by 21.5%. (The benefit categories are pharmacy; durable medical equipment; mental health and substance abuse; preventive, hearing, and vision care.)

More significantly Lee and Tollen demonstrate larger premium savings by increasing cost-sharing. In fact, the initial increase in cost-sharing achieves the same level of savings as excluding the four benefit categories:

Cost-sharing Level	Copay/ Coinsurance	Single, In-network Deductible	Single, Out-of-Pocket Maximum	Percent Premium Reduction from "Current" Level
Current	\$15/30%	None	\$1,500	n/a
Initial Increase	20%--40%	\$250	\$1,500	22%
Largest Increase	50%--70%	\$2,000	None	53%

Are Economy Plans Being Offered?

More economy plans are being offered or created:

1. Blue Cross and Blue Shield of Alabama announced in September 2003 a \$1,000 deductible, minimum benefits plan at \$145/month for individuals and \$320/month for families. It is targeted for the 500,000 Alabamians without health insurance.
2. Blue Cross and Blue Shield of Montana offers BlueCare, a plan for low-income uninsured individuals and families who are uninsured for up to 6 months. It contains hospital and surgery, emergency care, office visits, and pharmacy benefits. Maximum benefits are \$10,000 per year and the premium for a 40 year-old adult with one child is roughly \$120/month.

3. Colorado enacted legislation in 2003 to create a Basic Small Group Health Benefits Plan. It exempts six benefit mandates.
4. Florida reduced the cost of its Basic package by roughly 10% in 2002 in an effort to make it more affordable.
5. Texas allowed basic and catastrophic plans in the 1990s. At its peak in 1997, 53 basic and catastrophic plans were sold. (GAO-02-8 Small Employer Health Insurance.)

A paper by the National Institute For Health Care Management, *The Uninsured: A Study of Health Plan Initiatives and the Lessons Learned*, reviewed six private-sector initiatives to offer economy plans. Some results from these small group products are encouraging if not consistently positive:

Product (Available)	Enrollees (Percent Previously Uninsured)
WellPoint's Flexscape (April 2001)	797,000 (All WellPoint plans except Georgia) (63%)
Blue Cross Blue Shield of Kansas City's Chamber Choice (October 2001)	39,600 (35%)
New York City and Group Health Incorporated's Small Business Health Insurance (1999-2001 pilot)	515 as of July 2001 (17%)

Can Affordable Economy Plans Lead to More Coverage?

The National Institute For Health Care Management offers advice in *The Uninsured: A Study of Health Plan Initiatives and the Lessons Learned* on what produces a successful economy plan:

- 1. Must be affordable:** Individuals can pay \$100--\$150 per month and families can pay \$250--\$300 per month.
- 2. Use several benefit designs:** Moderate to true bare-bones benefits designs can be used to set different price points and attract a variety of low-income and higher-income uninsured persons. (Individuals with incomes above \$75,000 are the fastest growing group among the uninsured.)
- 3. Do not use different provider networks:** Broad provider networks enhance the value of the plan.

4. Market aggressively with all media strategies and use brokers: Use direct mail, the internet, toll-free numbers, and television, print and radio ads. Attempt to market to those people in transition: “aging-out” of a parent’s plan, changing employers or becoming unemployed, 55-64 year-olds who retire early, etc. Plan administrators say that brokers are essential.

How should the task force proceed?

The task force should consider establishing parameters to guide a workgroup:

Uncouple the economy plan from the Basic Health Plan

The Basic Health Plan will introduce cost-sharing on January 1, 2003. Although the benefit design may reflect aspects of an economy plan, the task force may consider achieving more flexibility in the market by uncoupling the design of an economy plan from any other benefit design.

Eliminate the Basic Health Look-alike Plan

Carriers do not need to offer a Basic Health Look-alike Plan and a new economy plan.

Allow carriers to design and market the products for the small group market

The task force can choose to establish an economy plan in statute or set parameters for carriers to create economy plans in the market. The task force should consider how to provide carriers with the flexibility to sell multiple plans that can serve multiple groups of uninsured individuals. This can be done by setting parameters, or by defining multiple plans, in statute.

Define “high-deductible” for the use of an economy plan

Those task force members requesting consideration of an economy plan have often spoken of it as a high-deductible plan. The workgroup should define the options for deductibles in an economy plan.

Select benefit mandate exemptions

The task force will need to provide guidance for the workgroup on benefits design. Some task force members have sought a “no mandates” economy plan. The task force should also consider discussing exemptions to benefit mandates keeping in mind the need for affordability.